

September 10, 2004

Ms. Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

RE: KeySpan Energy Delivery New England, D.T.E. 04-62

Dear Secretary Cottrell:

Pursuant to the procedural schedule adopted in this proceeding, the Attorney General submits this letter as his Reply Brief in response to the Initial Brief filed by Boston Gas Company ("Boston Gas"), Colonial Gas Company ("Colonial") and Essex Gas Company ("Essex") (together, the "Companies"), operating as KeySpan Energy Delivery New England ("KeySpan" or the "Company") on September 2, 2004. This brief is not intended to respond to every argument made or position taken by the Company. Rather, it responds only to the extent necessary to assist the Department of Telecommunications and Energy ("Department") in its deliberations, *i.e.*, to provide further information, to correct misstatements or misinterpretations, or to provide omitted context. Therefore, silence by the Attorney General in regard to any particular argument in the Company's brief should not be interpreted as assent.¹

The Company Should Not Consolidate The Reconciliation Factor for Gas Acquisition Costs.

The Company has indicated that it will consider treating gas acquisition and planning costs as a cost category not subject to consolidation, similar to its treatment of bad debt expense. Exh. DTE-1-42, Company's Initial Brief at 3. The Company, however, has not indicated that it will keep the reconciliation factors for gas acquisition and planning costs separate. If the Company establishes gas acquisition and planning costs as a separate charge for each individual company, then the Company should also keep the gas acquisition and planning reconciliation factors separate for each company. The Company will keep the bad debt expense reconciliation factor separate but proposes to consolidate all of the other reconciliation factors, including gas acquisition and planning. Company's Initial Brief at 6. The Company's reason for not

¹ The Attorney General also reserves his right to respond to the Company's Reply Brief. G.L. c. 30A § 11(1).

consolidating the calculation of bad debt expense is because bad debt expense is calculated and recovered differently in each service area based on determinations made in prior base rate proceedings. *Id.* at 7. Similarly, Essex recovers its gas acquisition and planning costs through base rates whereas Colonial and Boston Gas recover these costs through the CGA. Exh. DTE-1-42. The Company does not go far enough when offering to keep the gas acquisition costs separate. The Attorney General does not advocate the Department approving the Company's proposed consolidated CGA (*See* Attorney General's Initial Brief), however, if the Department approves the Company's petition as modified, it should order the Company to segregate the gas acquisition and planning costs and the reconciliation factor for these costs.

Conclusion

WHEREFORE, for this reason, the Attorney General, without deviating from his position that the Department reject the Company's Petition, requests that the Department reject the consolidation of the gas acquisition costs and the reconciliation factors for these costs.

Sincerely,

Colleen McConnell
Assistant Attorney General

cc: John Cope-Flanagan, Hearing Officer
Cheryl Kimball, Esq., Keegan, Werlin & Pabian
Richard Visconti, General Counsel, KeySpan
Service List